

SINGAPORE

TRADE SUMMARY

In 2000, the U.S. trade deficit with Singapore was almost \$1.4 billion, an decrease of \$571 million from the U.S. trade deficit of \$1.95 billion in 1999. U.S. merchandise exports to Singapore totaled \$17.8 billion, an increase of \$1.57 billion (9.7 percent) from the level of U.S. exports to Singapore in 1999. Singapore was the United States' 10th largest export market in 1999. U.S. imports from Singapore totaled \$19.2 billion in 2000, a increase of \$999 million (5.5 percent) from the level of imports in 1999. U.S. exports of private commercial services (i.e., excluding military and government) to Singapore were \$4.2 billion in 1999, and U.S. imports were \$2.2 billion. Sales of services in Singapore by majority U.S.-owned affiliates were \$3.2 billion in 1998, while sales of services in the United States by majority Singaporean-owned firms were \$1.1 billion. The stock of U.S. foreign direct investment (FDI) in Singapore at the end of 1999 was \$24.8 billion, an increase of 35 percent from the level a year earlier. U.S. FDI in Singapore is concentrated largely in manufacturing (notably electronics, industrial chemicals and petroleum) and the financial sectors.

IMPORT POLICIES

Tariffs

Singapore imposes tariffs on only one category of imported goods: alcoholic beverages. These tariffs were eliminated January 1, 2001 for trade within the ASEAN Free Trade Area and with New Zealand in the context of the Singapore-New Zealand Free Trade Area. However, for social and/or environmental reasons Singapore levies high excise taxes on distilled spirits and wine, tobacco products, motor vehicles (all of which are imported), and gasoline. Approximately 99 percent of Singapore's imports are not dutiable. During the Uruguay Round of multilateral trade

negotiations, Singapore agreed to bind 70 percent of its tariff lines. The Uruguay Round agreements entered into force in Singapore on January 1, 1995. As an APEC participant, Singapore has also committed to eliminating all tariffs by 2010 (consistent with the agreed time frame for "developed economies") and to bind these commitments at the World Trade Organization (WTO). Singapore is a signatory to the WTO Information Technology Agreement (ITA).

GOVERNMENT PROCUREMENT

Singapore initiated negotiations to join the WTO Government Procurement Agreement (GPA) in December 1995, and deposited its Instrument of Accession to the GPA on September 20, 1997. This Instrument of Accession entered into force for Singapore on October 20, 1997.

EXPORT SUBSIDIES

The Government of Singapore formerly administered three export promotion schemes: the International Trade Incentives Program, the Double Taxation Deduction, and the

Production for Export Schemes. However, three subsidy programs have been phased out, or brought into conformance with the WTO Agreement on Subsidies and Countervailing Duties. The government does not employ multiple exchange rates, preferential financing schemes, import-cost-reduction measures or other trade-distorting policy tools.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Singapore has been on the Special 301 Watch List since 1995, primarily due to concerns regarding the consistency of Singapore's intellectual property rights (IPR) regime with provisions of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), and the inadequacy of enforcement against IPR piracy. A significant problem has been the open availability of pirated computer software, music, and cinematographic works and the high rate of use of unlicensed software. Overall software piracy levels, while among the lowest in Asia, are significantly higher than in the United States. Singapore is a signatory to the Berne Convention, the Paris Convention, the Patent Co-operation Treaty, and the Budapest Treaty; and is a member of the World Intellectual Property Organization (WIPO). Singapore acceded to the Madrid Protocol on July 31, 2000, and the International Property Office of Singapore (IPOS) has been accepting international applications filed pursuant to the Madrid Protocol since October 31, 2000. Although Singapore has not acceded to the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, some aspects of the treaties have been incorporated into local law.

Singapore has enacted a series of laws and amendments to existing provisions with the aim of rendering its IPR regime fully TRIPS consistent. These measures include numerous amendments to its Copyright Law (1998 and 1999) and the Medicines Act (1998), as well as a new Trade Marks Bill (1998), Geographical Indications Act (1999), Layout Designs of Integrated Circuits Act (1999), and Registered Designs Act (2000). Singapore Government officials contend that the country's IPR regime now goes beyond the country's TRIPS obligations.

April 1998 amendments to the Control of Manufacture Act and the Regulation of Imports and Exports Regulations (RIER) introduced licensing requirements for optical disc manufacturers and controls on the imports of optical media production and master equipment. The RIER amendments are intended to ensure that no unauthorized manufacturers are able to obtain mastering and manufacturing equipment to manufacture optical discs. Manufacturers also signed a "code of conduct" to abide by a set of practices to ensure that only licensed works are replicated in their premises. However, the code is "voluntary," thus there is no enforcement of the code.

In January 2000, the Intellectual Property Rights Warrant Unit of the Singapore Police was restructured to form the Intellectual Property Rights Branch (IPRB) under the Specialized Crime Division of the Criminal Investigation Department (CID), a change long sought by copyright owner representatives. During 2000, the IPRB made progress in conducting sustained operations against retail vendors of pirated works. According to the Government, seven major syndicates were broken, dozens of vendors were raided and closed, and 1455 persons arrested in 2000, up significantly from 1999. As a result

of these sustained operations, Sim Lim Square, one major center for retail piracy, has been largely free of pirated works since July 2000. The Government continues its long-term campaign aimed at educating students and the public at large about the importance of IPR, through outreach at schools, bus advertisements against piracy, and IP exhibitions.

In October 1999, a number of U.S. publishers, in cooperation with European and local publishers, formed the Copyright Licensing and Administration Society of Singapore (CLASS), to utilize a provision in the Copyright Act to compel local universities and other educational institutions to pay royalty fees in exchange for the right to duplicate copyrighted printed works for use in course materials. Unfortunately, local universities have thus far failed to implement their obligations under the law.

Although the production of pirated material and blatant storefront retail piracy has been sharply reduced, a number of problems remain. The Government has not abandoned its "self help" policy on enforcement, which places an undue and expensive burden on rights holders to initiate raids and prosecute pirates, although Police IPR Branch represents an important step away from this approach. Pirated optical discs continue to be readily available from sidewalk vendors in street markets, housing estates, and outside metro stations and at other high pedestrian volume locations. The Police IPR Branch has begun to address such activities, but has a difficult time targeting highly-mobile pirates. Other concerns include the lack of criminal penalties for use of unlicensed software and the apparent lack of procedures to confirm local trademark registration prior to the grant of marketing approval for pharmaceuticals.

Copyright industry groups contend that the August 1999 amendments extending copyright protection to the Internet and certain digital works contain gaps and omissions which present problems for copyright protection. For example, Internet service providers are not liable for allowing websites hosted on their servers to offer and sell pirated products. Also, current law allows up to 10 percent of the bytes of a digital work to be copied. In addition, industry believes that liability exemptions for ISPs are overly broad, and that the procedure requiring a statutory declaration for getting ISPs to take infringing materials off websites hosted on their servers is too tedious and cumbersome. The Government responds that the exemptions apply only when an infringing act is incidental for the ISP to enable access and asserts that the removal procedures are intended to avoid abuse by copyright owners and the need for a "put back" provision, as contained in U.S. law.

While the vast majority of pirated optical disc products are presumed to be smuggled into Singapore from neighboring countries, Singapore authorities have explained that a number of factors impair the government's ability to enhance IPR enforcement at the border. Nevertheless, the United States continues to urge Singapore to require the mandatory use of source identification (SID) codes which would help to ensure that domestic producers engage only in legitimate replication of copyrighted works in digital format.

Inadequacies in Singapore's ability to prevent the transshipment/transit of infringing products represents a growing concern and a possible conflict with Singapore's TRIPS

obligations. There are no apparent criminal penalties for the transshipment or export of infringing products, such as pirated optical discs. Restrictions on information sharing have impaired investigations involving the transshipment/transit of infringing products through Singapore. Actions to improve responsiveness to information sharing and enforcement cooperation requests from U.S. enforcement agencies would facilitate efforts to address effectively transnational IP crimes. Changes to domestic law to make the export, transshipment, or brokering of infringing products a crime, and to enhance the ability of law enforcement agencies to share information with foreign counterparts would also facilitate efforts to address transnational IP crimes.

INVESTMENT BARRIERS

Singapore has a generally open investment regime, although it maintains limits on foreign investment in broadcasting, the news media, domestic retail banking, property ownership, and water distribution. The Singapore government promotes foreign investment via improvements to infrastructure, financial and banking reforms, and tax and other incentives. Singapore's legal framework and public policies are intended to be foreign investor-friendly. The government screens investment proposals only to determine their eligibility for various incentive schemes; but otherwise no authorization is needed. Singapore places no restrictions on reinvestment or repatriation of earnings and capital.

Singapore has institutionalized and internationalized arbitration through the creation of arbitration bodies and ratification of international conventions including the Singapore International Arbitration Center (SIAC), the United Nations Commission for International Trade Law (UNCITRAL) Model Law, and the Convention on the Settlement of Investment Disputes (ICSID).

SERVICES BARRIERS

Basic Telecommunications

Singapore's telecommunications industry was fully opened with effect from April 1, 2000, two years ahead of the originally announced time frame for liberalization. From April 1, 2000, any foreign or domestic company is eligible to apply for a license to operate either facilities-based or services-based telecommunications services, effectively eliminating all quotas on the number of service providers. All existing telecom companies are permitted to offer international telephone call services, while callback companies can openly advertise their services and buy international direct dial capacity from any supplier. Submarine cable owners have landing rights in Singapore. The telecom regulatory authority, the Info-Communications Development Authority (IDA), has removed restrictions on direct and indirect foreign equity limits for all public telecommunications service licenses. The former monopoly telecom service provider, Singapore Telecommunications (SingTel), has been listed on the Singapore Exchange, although it remains under majority government-ownership. SingTel faces competition in

all market segments, including fixed-line, mobile, and paging services.

The recent complete liberalization goes beyond Singapore's liberalization commitments as part of the WTO Basic Telecommunications Agreement, including adoption of the regulatory principles in the WTO Basic Telecommunications Agreement's Reference Paper. In this negotiation, Singapore made comprehensive market access commitments in basic services but initially excluded resale via leased lines connected to the public switched network, for domestic and international services. Singapore also bound foreign equity limits at 49 percent for direct, and 73.99 percent for indirect, investment. As noted above, with the April 2000 liberalization, Singapore now allows 100 percent foreign ownership.

Singapore restricts the importation and use of satellite receiving dishes and does not permit direct-to-home satellite television services. Satellite broadcasters can use only four available uplink facilities: ST Teleport, SingTel Telecast, MediaCorp Transmission & Technology and Asia Broadcast Centre. A satellite broadcaster can operate its own satellite uplink facility, but a separate license, issued by the Infocomm Development Authority of Singapore, is required. Currently, there are 18 licensed satellite broadcasters operating from Singapore.

Audiovisual Services

Singapore's WTO commitments do cover broadcasting and broadcast-related services, such as free-to-air broadcasting, cable and pay television, and direct broadcast satellite. Singapore law restricts foreign equity ownership of companies broadcasting to the Singapore domestic market to less than 50 percent. Singapore Cable Vision, the only licensed cable company, is 80 percent owned by Singapore (including Government) interests. The local free-to-air radio and television broadcasting was formerly controlled by a Government-owned monopoly, Media Corporation of Singapore, through its Radio Corporation of Singapore subsidiary. Currently, several three local free-to-air radio stations run by Government-linked companies are in operation but do not compete with RCS. In 2000, the Government announced that the broadcast sector would be opened to competition from Singapore Press Holdings (SPH), which controls the principal newspapers in Singapore, while Media Corp would be allowed to compete with SPH in print media. However, the Newspaper and Printing Presses Act will continue to restrict equity ownership (local or foreign) to 3% per shareholder. Any importer, producer, distributor or exhibitor of newspaper (including newsletters, magazines, periodicals) and audiovisual material, including every film or television program, shown in Singapore must be licensed by the Film and Publications Department of the Ministry of Information and the Arts. Content that is considered obscene, excessively violent, or capable of provoking racial or religious conflict is subject to censorship. Only organizations whose business is to exhibit films in cinemas or whose objective is to promote the appreciation of films are allowed to screen "Restricted (Artistic)" films. This category of films are considered to have contents which are provoking in sexual, violent, religious or racial themes. Some foreign news publications are "gazetted," i.e., numerically limited by the Government. The publications must carry printed approval notices or control stickers.

Legal Services

Foreign law firms were formerly allowed to set up offices in Singapore to advise clients only on the laws of their home country or international law. However, in May 2000, the Attorney General (AG) liberalized restrictions on foreign legal service providers by providing for joint law ventures and formal law alliances between Singapore and foreign law firms. Under the new law, the Attorney General, in consultation with appropriate authorities, must approve such ventures or alliances. The joint law venture must be structured as a distinct business entity from its constituent firms, and can take the form of a partnership or a limited liability company. A formal law alliance does not require creation of a distinct business entity. Approved joint ventures and formal alliances will be permitted to market themselves as single service providers which are authorized to provide legal services in all areas in which the constituent firms are qualified to provide.

Lawyers practicing under the venture or alliance will be allowed to draft documents relating to cross-border transactions, including documents governed by Singapore law, but will not be allowed to appear in local courts or before regulatory bodies. Lawyers in a joint law venture will be allowed to render advice on Singapore law, but only after seeking registration with the AG. As of late 2000, the AG had approved eight joint law ventures, of which three involve U.S. firms, and one formal law alliance. Formal mergers between foreign and Singapore law firms remain prohibited.

With the exception of law degrees from six Australian/New Zealand universities and 19 British universities, no foreign university law degrees are recognized for the purpose of admission to practice law in Singapore. The number of law graduates from these foreign universities admitted to the Singapore Bar will be increased from about 50 at present to 70 per year for 2001-2002, and 90 for the years 2003-2005. There are currently about 60 foreign law firms in Singapore.

Engineering and Architectural Services

Singapore amended its laws in April 1995 to allow engineering firms to be 100 percent foreign-owned. However, the chairman and two-thirds of the firm's board of directors must comprise engineers, architects, or land surveyors registered with local professional bodies. Professional engineering work in Singapore must be under the control and management of a director of the corporation who: is a registered owner of at least one share of the corporation if it is an unlimited corporation; is a registered professional engineer ordinarily resident in Singapore; and has a valid practicing certificate. In the case of a partnership, only registered engineers may have a beneficial interest in the capital assets and profits of the firm, and the business of the partnership must be under the control and management of a registered professional engineer who ordinarily resides in Singapore. Similar requirements apply to architectural firms.

Accounting and Tax Services

Public accountants and at least one partner of a public accounting firm must reside in Singapore. Only public accountants who are members of the Institute of Certified Public Accountants of Singapore and registered with the Public Accountants Board of

Singapore may practice public accountancy in the country. In January 1999, Singapore removed the restriction prohibiting a person who is not a public accountant from providing tax consultancy services.

Insurance

The Monetary Authority of Singapore (MAS) announced on March 17, 2000 that effective immediately, it had opened entry to the local direct insurance market and lifted the 49 percent restriction on foreign ownership of local insurers. However, MAS said the admission of new entrants would be gradual, asserting that a rush of new entrants might result in the adoption of "unsound, short-term market practices." MAS will approve new entrants carefully, on the basis of reputation and a commitment to contribute to Singapore's development as a regional financial center. Prior to the adoption of the new policy, MAS had not admitted any direct general insurer since 1984 and any direct life insurer since 1990, on grounds that the local market was saturated. MAS requires that a majority of the directors on the board of local insurers be Singapore residents and that it approve the appointment of all new directors or reappointment of current directors. A majority of the boards of locally-incorporated insurers must be made up of independent and non-executive directors.

MAS announced in March 2000 that it would adopt an open admission policy with respect to professional insurance intermediaries or brokers. Reinsurance licenses, allowing companies to participate in the regional reinsurance market from Singapore, are freely available to internationally reputable and financially sound reinsurers. Captive insurance licenses are also available to financially sound and reputable corporations principally to underwrite their own risks.

PSA Insurance serves as the in-house insurer for the Port of Singapore Authority (PSA), a government-owned corporation which operates Singapore's port. PSA Insurance caters exclusively to its parent. Singapore's port is the second busiest transshipment port in the world, by volume.

Banking and Securities

Prior to 1999, the MAS had not issued new licenses for local retail banking for over two decades to either foreign or domestic institutions because it considered Singapore's banking sector to be saturated. In 1999, foreign penetration of the banking system in Singapore was comparatively high, with foreign banks holding up to 23 of the 31 full (local retail) banking licenses. At end-1999, foreign banks accounted for almost half of all non-bank deposits from residents and non-bank loans to residents. Singapore officials have stated that they want local banks' share of total resident deposits to remain above 50%. At end-1999, foreign banks accounted for 34.5% of total resident deposits, down slightly from 1999.

Until recently, Singapore restricted access by full-licensed foreign banks to the retail banking sector. Unlike local banks, foreign banks were not allowed to open new branches, freely relocate existing branches or operate off-premise Automated Teller Machines (ATMs). However, foreign banks were permitted to install electronic terminals

at their corporate clients' premises, and to provide home banking services through telephone and personal computers. In addition, the foreign equity share in full-licensed domestic banks was restricted to an aggregate 40 percent.

As part of its recent financial sector reforms, however, the MAS has liberalized restrictions on foreign banks. In May 1999, it removed the 40 percent ceiling on foreign ownership of local banks. In October 1999, it granted "qualifying full bank" (QFB) licenses to four foreign banks that would allow these banks to operate up to 10 locations (branches or off-premise ATM's), freely re-locate their existing branches and share ATM's among themselves. It indicated that two more QFB licenses would be issued this year. In addition, the MAS issued another eight new restricted bank licenses and eight new "qualifying offshore bank" (QOB) licenses to foreign banks located in Singapore. The Singapore dollar lending limit of offshore banks was raised from S\$300 million to S\$500 million. QOB banks had their Singapore dollar lending limit raised further from S\$500 million to S\$1 billion, and are now allowed to accept Singapore Dollar funds from non-bank customers through swap transactions. In 2000, MAS also significantly liberalized remaining restrictions on the internationalization of the Singapore dollar

MAS has stated its willingness to grant new banking licenses to Singapore-incorporated banks, or branches of foreign-incorporated Internet-only banks, to set up subsidiaries to pursue new business models, such as Internet-only banks. However, foreign-incorporated banks would have to enter subject to the existing admission framework for foreign banks.

While four foreign banks have been granted QFB licenses, they and other foreign banks continue to face discrimination on the use and location of ATMs. Off-premise ATMs are considered branches, and thus subject to the branch restriction imposed on foreign banks. Foreign banks are also excluded from the Network for Electronic Transactions, Singapore (NETS), which is administered by the four local banks; holders of stored-value "cash cards," widely used in Singapore, can only add to the stored value of their cards through ATMs that participate in NETS. Local domestic retail banks do not face similar constraints. Some foreign credit card issuers also face problems because they are prohibited from participating in local bank ATM networks. Customers of foreign banks and local customers of some foreign card issuers are unable to access their accounts for cash withdrawals, transfers or bill payments at ATMs operated by banks other than their own.

Mutual funds and unit trusts must be registered with the Registry of Companies and Businesses, under the Companies Act, before they can be marketed locally. In practice, this means that foreign mutual funds must be registered twice, once in the country of origin and again in Singapore. To promote Singapore's fund management industry, the Singapore Government Investment Corporation (GIC) had placed out about US\$5.7 billion (S\$10 billion) to private fund managers with offices in Singapore and aims to increase this to about US\$20 billion, representing about 50% of its Asian portfolio. GIC requires that fund managers bring in additional funds to Singapore for management, and build up a team of Singaporean fund managers.

In the securities area, foreign brokerages generally have the same right to establish and

offer financial products as do domestic firms with respect to government securities, unit trusts and financial futures.

In late 1999, the MAS announced a series of measures that significantly opens up the local securities market to foreign brokers. The Exchanges (Demutualization and Merger) Act "demutualized" and merged the previously separate securities and futures exchanges to create the integrated Singapore Exchange (SGX) starting December 1, 1999. SGX was publicly listed in November 2000. Foreign brokers will have full access rights to the SGX by January 2002. Effective January 2000, SES international members were allowed to accept trades valued at below S\$5 million, but above S\$500,000. In addition, new international members admitted into the SGX from July 2000 will be immediately permitted to accept trades above S\$500,000. This limit is scheduled to be reduced to S\$150,000 as of July 2001, and eliminated as of January 2002.

Distribution Services

The Multilevel Marketing and Pyramid Selling (Prohibition) Act of 2000 strengthened the prohibition on most multi-level marketing arrangements, particularly where participants receive benefits by recruiting additional participants; from the sales of other participants; or from the recruitment of additional participants. The restrictions apply equally to local and foreign arrangements. Any Singapore registered company or citizen/resident is also prohibited from promoting any overseas pyramid selling marketed through the Internet. While the Government allows for arrangements that may have some of the features of multi-level marketing, the terms and conditions under which such arrangements can operate are unclear.

ELECTRONIC COMMERCE

There are no significant barriers hindering the development and use of electronic commerce (e-commerce) in Singapore. The Electronic Transaction Act, which came into force in July 1998, provides the legal foundation for electronic commerce transactions.

Singapore requires that all Internet Service Providers (ISPs) channel all incoming and outgoing traffic through Internet Access Service Providers (IASPs) who function as main "gateways" to the Internet, blocking access to one hundred Internet sites that the Government considers obscene, excessively violent, or likely to incite racial or religious conflict are blocked. The list of 100 sites is updated annually. While other sites may be considered similarly objectionable, no effort is made to block access to sites beyond these one hundred. The list of blocked sites is not made public. ISPs and IASPs are required to register with the Singapore Broadcasting Authority (SBA). Internet Service Resellers, Internet Content Providers (ICPs), individuals who put up personal web pages, software developers and providers of raw financial information and news wire services do not have to register with the SBA. However, the SBA requires licensing for ICPs or individuals who provide web pages for political or religious causes.

OTHER BARRIERS

Singapore has an extensive network of government-owned companies, active in many sectors of the economy. Some sectors, notably telecommunications, power generation

and distribution and financial services, are subject to sector specific competition regulations and regulatory bodies.

Singapore has a strong track record against corruption in government and business. In international surveys, Singapore is regularly identified as among those countries with the lowest levels of corruption. When cases of corruption are uncovered, the authorities deal with them strictly, swiftly and publicly. The Prevention of Corruption Act and the Corruption (Confiscation of Benefits) Act provide the legal basis for government action by the Corrupt Practices Investigation Bureau (CPIB), a division that operates directly under the Prime Minister's office. These laws cover acts of corruption by citizens of Singapore at home and abroad.